

ASSEMBLY BILL

No. 999

Introduced by Assembly Member Yamada

February 18, 2011

An act to amend Section 10236.1 of the Insurance Code, relating to long-term care insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 999, as introduced, Yamada. Long-term care insurance.

Existing law provides for regulation of insurers, including insurers issuing policies of long-term care insurance, by the Insurance Commissioner. Existing law, for policies issued before new rate schedules are approved and for which rate revisions are filed on and after January 1, 2010, deems benefits reasonable in relation to premiums if the premium rate schedules have a lifetime expected loss ratio of at least 60% of the premium scale in effect on December 31, 2009, plus 70% of premium increases filed on or after January 1, 2010. Existing law, notwithstanding these provisions, authorizes the commissioner, for rate increases filed on or after January 1, 2010, to approve an application for a rate revision based on less than a 70% loss ratio, but not less than a 60% loss ratio, for the portion attributable to the rate increase if the insurer can demonstrate that the rates are necessary to protect the financial condition of the insurer, including further reductions in capital and surplus.

This bill would make a nonsubstantive change to these provisions.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 10236.1 of the Insurance Code is amended to read:

10236.1. (a) Benefits under individual long-term care insurance policies issued before new premium rate schedules are approved under Section 10236.11 shall be deemed reasonable in relation to premiums if the expected loss ratio is at least 60 percent, calculated in a manner that provides for adequate reserving of the long-term care insurance risk.

(b) For individual long-term care insurance policies issued before new premium rate schedules are approved under Section 10236.11, and for which rate revisions are filed on or after January 1, 2010, benefits shall be deemed reasonable in relation to the premium if the premium rate schedules have a lifetime expected loss ratio of at least 60 percent of the premium scale in effect on December 31, 2009, plus 70 percent of premium increases filed on or after January 1, 2010, calculated in a manner that provides for adequate reserving of the long-term care insurance risk.

(c) In evaluating the expected loss ratio, due consideration shall be given to all relevant factors, including the following:

(1) Statistical credibility of incurred claims experience and earned premiums.

(2) The period for which rates are computed to provide coverage.

(3) Experienced and projected trends.

(4) Concentration of experience within early policy duration.

(5) Expected claim fluctuation.

(6) Experience refunds, adjustments, or dividends.

(7) Renewability features.

(8) All appropriate expense factors.

(9) Interest.

(10) Experimental nature of the coverage.

(11) Policy reserves.

(12) Mix of business by risk classification.

(13) Product features, such as long elimination periods, high deductibles, and high maximum limits.

(d) Notwithstanding any other provision of this section, for rate revisions filed on or after January 1, 2010, the commissioner may approve an application for a rate revision based on less than a 70 percent loss ratio, but not less than a 60 percent loss ratio, for the

1 portion attributable to the rate increase if an insurer can
2 demonstrate that the rates are necessary to protect the financial
3 condition of the insurer, including *avoidance of* further reductions
4 in capital and surplus.

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